STATE OF DELAWARE OFFICE OF AUDITOR OF ACCOUNTS

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DIVISION FOR THE VISUALLY IMPAIRED

SPECIAL INVESTIGATION

FIELDWORK END DATE: NOVEMBER 7, 2008

R. THOMAS WAGNER, JR., CFE, CGFM, CICA AUDITOR OF ACCOUNTS

Townsend Building, Suite 1 401 Federal Street Dover, DE 19901 TELEPHONE 302-739-4241 FACSIMILE 302-739-2723

www.state.de.us/auditor/index.htm



State of Delaware Office of Auditor of Accounts R. Thomas Wagner, Jr. – CFE, CGFM, CICA

At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Business Enterprise Program (BEP) of the Division for the Visually Impaired (DVI):

- Managers from BEP submit Weekly Sales Analysis
 reports to DVI. DVI employees make unjustified
 revisions to the reports and do not provide reasons
 for the changes.
- 2. DVI employees informed BEP managers that (a) there should be no overages/shortages greater than \$3 on the Weekly Sales Analysis reports and (b) if there are overages/shortages greater than \$3, they should be changed to less than \$3.
- BEP employees took a four-day trip for a two-day conference and an unnecessary individual was accommodated.
- BEP employees were inappropriately docked meal breaks when employees worked through their lunch.

Background

BEP is a Federally authorized program managed by the State of Delaware within DVI to train and license Delawareans who are blind and visually impaired to establish and manage food service businesses in public and private facilities. BEP staff trains and supervises the business operators and equips locations, provides initial stock, and offers on-going technical support.

BEP is made possible through the Randolph Sheppard Act enacted in 1936. This landmark Federal Law provides for first priority rights for Delawareans who are legally blind to operate businesses in Federal buildings. Delaware also established a similar law that includes all State facilities. Persons employed in the Delaware BEP are essentially small business owners and are referred to as BEP Operators.

For further information on this release, please contact:

Nicholas Adams (302) 857-3945 Direct (302) 222-5032 Mobile

DEPARTMENT OF HEALTH AND SOCIAL SERVICES DIVISION FOR THE VISUALLY IMPAIRED

What We Found

- All findings were unsubstantiated.
- DVI employees corrected adding and subtraction errors, typing and data input errors, disallowed expenditures, and a reclassification of cash payouts. Revisions to the reports were deemed appropriate. Although DVI staff indicated that the revisions were discussed with BEP managers, there was no evidence to support the discussions.
- AOA identified twenty-seven overages/shortages of which eleven were over \$3 per day totaling \$175.93 for three pay periods. Due to excessive overages/shortages, DVI staff indicated they instructed BEP managers to put controls in place to help minimize the amounts of overages/shortages. Instructions were verbal and not documented. There is no written policy setting \$3 as the cutoff for reasonable overages. In reviewing the overages/shortages, AOA determined there was no documentation of either verbal or written discussions with employees for whom the overages/shortages were attributable.
- One instance was identified in which a travel request form was not approved by a supervisor. Per discussions with the supervisor, the travel was approved; the signature approval on the form was inadvertently omitted. Per review of travel itineraries, receipts, etc., travel was in compliance with State and BEP travel policies.
- Chapter 11 of the Business Enterprise Program Food Service Management Training Manual clearly states that a 30-minute unpaid meal break will be provided. DVI staff adjusted pay to be in accordance with written policies and procedures.

What We Recommend

DVI should develop written policies and procedures regarding overages/shortages. The policy should address the cutoff for acceptable overages/shortages as well as appropriate disciplinary action.

DVI should document correspondence supporting revisions made to Weekly Sales Analysis reports.

Please read the complete report for a full list of findings/recommendations and to review DHSS response to our findings.

TABLE OF CONTENTS

Audit Authority	1
Allegation and Background	2
Objectives, Scope, and Methodology	3
Conclusions	۷
Findings and Recommendations	6
Distribution of Report	7

AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

- 1. Whether all expenditures have been for the purpose authorized in the appropriations;
- 2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
- 3. All illegal and unbusinesslike practices;
- 4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
- 5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATIONS AND BACKGROUND

ALLEGATIONS

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Business Enterprise Program (BEP) of the Division for the Visually Impaired (DVI):

- 1. Managers from BEP submit Weekly Sales Analysis reports to DVI. DVI employees make unjustified revisions to the reports and do not provide reasons for the changes.
- 2. DVI employees informed BEP managers that (a) there should be no overages/shortages greater than \$3 on the Weekly Sales Analysis reports and (b) if there are overages/shortages greater than \$3, they should be changed to less than \$3.
- 3. BEP employees took a four-day trip for a two-day conference and an unnecessary individual was accommodated.
- 4. BEP employees were inappropriately docked meal breaks when employees worked through their lunch.

BACKGROUND

BEP is a Federally authorized program managed by the State of Delaware within DVI to train and license Delawareans who are blind and visually impaired to establish and manage food service businesses in public and private facilities. BEP staff trains and supervises the business operators and equips locations, provides initial stock, and offers on-going technical support.

BEP is made possible through the Randolph Sheppard Act enacted in 1936. This landmark Federal Law provides for first priority rights for Delawareans who are legally blind to operate businesses in Federal buildings. Delaware also established a similar law that includes all State facilities. Persons employed in the Delaware BEP are essentially small business owners and are referred to as BEP Operators.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objectives of the investigation were to:

- Determine the propriety of information reported on the Weekly Sales Analysis reports.
- Determine if overages/shortages were properly reported.
- Determine if travel was in accordance with BEP and State travel policies.
- Determine if the docking of meal breaks was in accordance with BEP policies as well as State and Federal laws.

SCOPE

The scope of the investigation included a review of cafeteria activity at the Legislative Hall and Carvel Building BEP locations for July 1, 2007 through June 30, 2008 (FY08).

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

CONCLUSIONS

Allegation	Results of Testing	Conclusion
Managers from BEP submit Weekly Sales Analysis reports to DVI. DVI employees make unjustified revisions to the reports and do not provide reasons for the changes.	AOA reviewed Weekly Sales Analysis reports for the Legislative Hall Café (Leg Hall) and Diamond State Cafe (Carvel) locations for the weeks ending January 11, 2008, April 4, 2008, and May 9, 2008. AOA determined that reports prepared by workers of the Leg Hall and Carvel locations were altered by DVI employees due to incorrect data on the reports. DVI employees corrected adding and subtraction errors, typing and data input errors, disallowed expenditures, and a reclassification of cash payouts. Revisions to the reports were deemed appropriate. DVI staff indicated that the revisions were discussed with BEP managers; however, there was no evidence to support the discussions.	Unsubstantiated.
DVI employees informed BEP managers that (a) there should be no overages/shortages greater than \$3 on the Weekly Sales Analysis reports and (b) if there are overages/shortages greater than \$3, they should be changed to less than \$3.	AOA performed inquiries of managers at Leg Hall and Carvel and obtained weekly analysis reports for three pay periods during FY08. Carvel did not report overages/shortages over \$3 for the three periods tested. When reviewing the Leg Hall reports, four figures were questionable but could not be reasonably justified because Leg Hall could not provide original documentation. Additionally, AOA identified twenty-seven overages/shortages of which eleven were over \$3 per day totaling \$175.93 for three pay periods. Per DVI staff, there is no written policy setting \$3 as the cutoff for reasonable overages; however, the staff indicated that BEP managers were informed that overages/shortages should be minimal. DVI staff stated that instructions were not to modify the actual amounts of overages/shortages; rather the instructions were to put controls in place to help minimize the amounts of overages/shortages. Instructions were verbal and not documented. In reviewing the overages/shortages, AOA determined there was no documentation of either verbal or written discussions with employees for whom the overages/shortages were attributable.	Unsubstantiated.

CONCLUSIONS

Allegation	Results of Testing	Conclusion
BEP employees took a four-day trip for a two-day	AOA researched the State of Delaware Budget and Accounting Manual	Unsubstantiated.
conference and an unnecessary individual was	Section XIII, Statewide Travel Policy as well as the BEP travel policy	
accommodated.	for operators and non-merit employees. Additionally, travel	
	authorization forms and supporting documentation were reviewed. One	
	instance was identified in which a travel request form was not approved	
	by a supervisor. Per discussions with the supervisor, the travel was	
	approved; the signature approval on the form was inadvertently	
	omitted. Per review of travel itineraries, receipts, etc., travel was in	
	compliance with State and BEP travel policies.	
BEP employees were inappropriately docked meal	Chapter 11 of the Business Enterprise Program Food Service	Unsubstantiated.
breaks when employees worked through their	Management Training Manual clearly states that a 30-minute unpaid	
lunch.	meal break will be provided. DVI staff adjusted pay to be in	
	accordance with written policies and procedures.	

FINDINGS AND RECOMMENDATIONS

Finding #1 -Lack of Policies/Procedures

Criteria

Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), defines control activities as polices and procedures that help ensure management directives are carried out. Managers are responsible for establishing and maintaining internal controls through written procedures. Written procedures are beneficial for the training of current and new employees and are a valuable resource in the event an employee leaves an organization. The procedures should include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary activities.

Documentation is an important aspect of control and communication. It generally provides (1) an understanding of an entity's objectives, (2) a basis for training new personnel, (3) a means of communicating common information, (4) a source of information about accounting controls, and (5) a source of information that will aid in providing continuity in the event experienced personnel leave.

Condition

AOA found the following:

- DVI and BEP do not have a written policy regarding excessive overages/shortages.
- BEP does not document discussions, warnings, reprimands, etc. with employees regarding excessive overages/shortages.
- There is no documented correspondence supporting revisions made to Weekly Sales Analysis reports.

Cause

Policies and procedures were not clearly defined to address overages/shortages or the correction of errors on the weekly analysis reports.

Effect

Lack of written policies and procedures leads to (a) confusion regarding acceptable practices, (b) inconsistent carryout of work functions, and (c) inconsistencies in documentation. Excessive overages/shortages without proper oversight and discipline could result in theft.

Recommendations

DVI should develop written policies and procedures regarding overages/shortages. The policy should address the cutoff for acceptable overages/shortages as well as appropriate disciplinary action.

DVI should document correspondence supporting revisions made to Weekly Sales Analysis reports.

Auditee Response

The Business Enterprise Program will develop a written policy and procedure, which addresses acceptable limits for overages/shortages at its food service locations. In addition, conversations concerning revisions made to Weekly Sales Analysis reports will be documented.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

- Mr. Vincent Meconi, Cabinet Secretary, Department of Health and Social Services
- Ms. Valencia Beaty, Director, Division of Management Services, Department of Health and Social Services
- Ms. Melody Lasana, Controller, Division of Management Services, Department of Health and Social Services